

# SAVINGS AND INVESTMENTS



## A mini-lesson for:

elementary and secondary teachers  
adult and community educators  
students and parents

This mini-lesson includes learning objectives, background information, discussion questions, an activity and sources of additional information.

## OBJECTIVES

Learners will:

- Understand the different savings options that can increase the value of money.
- Consider alternative ways to help money grow through savings.
- Apply simple math concepts to determine the future value of money.
- Introduce students to the concept of investment risk.
- Explain some of the advantages of saving money.
- Understand the concept of "pay yourself first" and ways to encourage this habit .
- Explain the differences among the most common saving methods.
- Understand the advantages and disadvantages of popular investment vehicles.
- Compare and contrast the short- and long-term consequences of investment decisions.

## Overview

Part of learning about money management includes knowing where to put savings. The value of savings increases differently depending on how the money is managed. Placing savings in something beyond a savings account introduces students to the world of investments.

When they become adults, these students will have control over where they invest their money for retirement. It is important that they understand how to get the best growth for their money. At the same time, they need to understand the chances of losing that money in investments.

This lesson introduces students to the basics of how money grows through saving and investing. It introduces the concepts of financial risk and rates of return.

## Money and the Economy

Money is a means of exchange or currency. You trade money for a product (such as a new shirt) or a service (such as a ride in a taxicab). Before the days of bills and coins, a farmer used animals and vegetables as currency to buy shoes from a shoemaker, and a shoemaker used shoes as currency to buy food from a farmer.

Today, money comes in many forms. Dollar bills and coins, which are cash, are made in the U.S. Mint in Washington, D.C. "Money" can also come in the form of a check, which is linked to a person's bank account. By writing a check to buy something, the money is taken directly out of your bank account and deducted from your account. Other common forms of "money" are credit and debit cards. These are small plastic cards that fit in a wallet. A credit card lets you charge a purchase and pay for it later. Often, if you don't pay the credit card company within a month, it will charge you extra money for delaying your payment. This is called an interest payment. A debit card works more like a check. When using a debit card to make a purchase, the amount paid is instantly taken out of your bank account and delivered to the place that sold you the product.

**See our Web Site on Debit Cards vs. Credit Cards at**

[http://www.dfi.state.in.us/conscredit/debit\\_vs.htm](http://www.dfi.state.in.us/conscredit/debit_vs.htm)

The Federal Reserve Board (FRB) determines how much new money should be made each year and how many old bills and coins should be taken out of circulation. When the FRB increases the money supply, the economy grows and jobs increase. When the FRB slows the money supply to combat inflation, the economy slows down and unemployment increases. Inflation is when there is a lot of money in circulation so prices rise and there is still enough money in people's pockets to pay high prices. The opposite of inflation is recession. This happens when prices are too high, and consumer demand for goods slows down, prices must decrease so people still buy things, but companies don't make as much money and have to lay off workers. The Government tries to monitor this economic cycle and sets policies to control the forces which drive the economy.

## Saving

In order to have money to save or invest, it is important to have a plan or budget the money you have coming in. No matter at what age or how much the money is, you need to have a plan on how you will allocate it. That plan or budget should always set aside a certain amount as "savings." This amount that should be set aside each time you receive your income (allowance, job earning, etc.) before any other expenditures. You should always pay your self first in this manner. The next question is what you should do with the money you are saving. You could put

it in a piggy bank, a shoe box, or jelly jar. This method may be OK for awhile until you have some money accumulated. But at some point you will need to decide what you will do with your savings. You will want the savings you have to earn money. Putting your money to work to earn more money is called investing.

## What is Investing?

Now that you have reviewed the basics of money, you need to know what it means to invest your money, how it works, and how you can do it easily. First we want to tell you about some basic concepts of investing.

**Interest:** Interest is the additional money you earn when you lend your money to others for a period of time. If you put money into a savings account at a bank, or into a government or corporate bond, you will be given a certain interest rate. If the interest rate is 5% per year, then when you decide to take your money back, you will get the original sum you put in, (called the Principal amount) plus 5% for each year added to that original sum. For example, if you put \$100 into a bank account with an annual interest rate of 5%, after one year you will have \$105.

**Compounding:** If you keep that same \$105 in the bank for another year, you will earn another 5% on the \$105. Thus, in two years your earnings will equal \$110.25. This idea is called compounding. Compounding is the money you earn on the interest you earned from your original sum. In twenty years, this original sum of \$100 would be worth \$265.33. Without compounding, in 20 years your original investment of \$100 would only be worth \$200. The example given is for compounding your money annually. Many types of savings accounts compound quarterly, which will make your money grow even faster. Your \$100 would be \$270.15 in 20 years compounded quarterly.

**Inflation:** Inflation is the growth in the cost of products and services, also called the cost of living. The rate of inflation changes, and can range from 4% to 8% a year. This means that the power of your dollar to buy things decreases over time. One example of inflation is hearing your grandparents claim that a cup of coffee only cost a nickel when they were young. Because of inflation, it now costs \$1.50. Keep in mind, in order to save money that has value to buy things in the future, **you want to invest your money where the interest rate is higher than the rate of inflation.**

**Rule of 72:** The rule of 72 is a neat trick to calculate how much money you can make off of the interest of an investment. Divide 72 by the interest rate of your account and the result is the number of years it will take to double your investment. If you earn 6% interest on your money, it will take 12 years ( $72/6$ ) for your original investment to double in value.

**Capital Gains Tax:** All unearned income (income made from investment gains rather than from working) is considered a capital gain. Capital gains are taxed at a standard rate of 20%, which is below the rate that most people pay on their income taxes. All of the money made through the investing options we discuss on this site are considered capital gains and therefore taxed at 20%, except interest and dividends.

## Short Term Investing

There are many ways to invest your money. Some ways are better if you plan to use your money within a few years of investing it. These are:

**Savings Account:** A savings account is set up through a bank. A savings account allows you to put your money aside and earn interest (usually 2-3%) because you are in fact lending money to the bank. You can also withdraw (take out) or deposit (put in) money as you want to. You can

sign up for a checking account, which allows you to write checks from your bank account. Often, the portion of the money in the checking account does not earn interest or if it does, you have to pay a monthly fee. You can open up a savings account at any bank. Most banks now have ATM cards which allow you to withdraw and deposit money at a machine, rather than with a person called a Teller.

**Certificate of Deposit (CD):** A CD is a way of putting aside money in your bank for a pre-set period of time, from one month to five years, and in return you get a higher interest rate (4%-9%) than you would from a regular savings account. Since you are lending money to the bank for a set amount of time, they will pay you a higher interest rate. However, you **cannot take your money out before the term you have set expires**. The longer the term you chose to leave your money in the CD, the higher the interest rate you will receive.

**U.S. Savings Bond:** The government depends on borrowing money from individuals and institutions to operate. A U.S. Savings Bond is a safe and reliable investment. You can buy a savings bond for as low as \$25. The maturity, the date the bond expires, varies. If the bond has a life of 3-10 years, it is called a **Treasury Note**. If its life is 10 years or longer, it is called a **bond**. A 30 year Treasury bond is known as the long bond and sets a standard for interest rates. A U.S. Savings bond has little risk, but also has a lower interest rate than other kinds of bonds. You can buy a Savings bond through your bank, from a broker, or directly from the U.S. Government.

**Treasury Bills:** T-Bills are also bonds issued by the U.S. Government. You can buy a t-bill with varying maturities from 3 to 12 months, the time the bill expires you receive your original investment plus interest.

**Risks/Rewards:** There is low risk in these types of investments. You know where your money is going, when you can take it back, and how much you will end up with ahead of time. The downside is that you may have missed an opportunity to earn more money from a riskier investment, such as a stock.

## About Stocks

**Stock is ownership of a company.** If you own stock in a company, you are considered a stockholder (also called shareholder or equity owner), and you own a piece (or share) of that company. If the company does well, and the stock price goes up, you benefit. If the company does not do well, then the stock price can fall and you can lose money. The price of one share can cost anywhere from a few cents to thousands of dollars depending on the company. A stockholder can decide what day and at what price to buy a stock and what day or price to sell a stock. The goal is to buy a stock low and sell high. This earns you a profit.

You can either own stock through a broker, a discount broker, an on-line broker, or through the company directly. A full-service broker offers advice as well as executes transactions for you. You can call your broker and request a certain purchase or sale of a stock. The broker will charge you a fee every time you buy or sell stock. Some brokers charge as a percentage of the sale or purchase and others charge a flat rate per transaction. Discount brokers charge less for a transaction but tend not to provide investment advice. Electronic trading, a new way to trade your own stocks using the internet, provides a lower cost way to trade. The least costly way to buy stock is directly from the Company (DSPs'). Not all companies sell stock directly, but many do. With a DSP, you can invest a certain dollar amount as opposed to buying stock on a per share basis. Also, you can join a dividend reinvestment program and have the dividends you earn from the stock go directly back in to buying more stock of the company. This saves you the trouble of having to arrange a transaction-- it automatically happens for you. [Netstockdirect.com](http://Netstockdirect.com)

provides you with the list of companies that sell stock directly and online access to companies' prospectuses and enrollment materials.

Stocks are traded on markets such as the New York Stock Exchange, the Nasdaq, and the American Stock Exchange. Other countries have their own national stock exchange as well. The Wall St. Journal posts the stock price for each company every day. Once the broker receives your order, they send the information to their contact on the floor of the exchange and the order is processed.

**Stocks vs. Bonds:** One major difference in investing in stocks versus bonds is that with stocks there is no maturity date. If a company does poorly, and loses money, a bond holder still gets paid the amount in the original bond agreement, whereas the stock holder gets no assurance of a payback.

**Dividends:** Many stocks pay out dividends. A dividend is money paid out to all shareholders each year based on a company's earning. A company with stock that pays dividends regularly is called an **Income Stock** while stocks that pay little or no dividends is called a **Growth Stock**.

**Dividend Reinvestment Plans (DRIP):** Some companies that pay out dividends have a program called a Dividend Reinvestment Plan (DRIP). A DRIP automatically takes the dividends that you earn each year and buys more shares of the Company for you. This way, your ownership (or equity stake) in the Company continues to grow over time, even though you haven't actually put any additional money into it. Some companies even offer a discount off the price of the stock if you sign up for dividend reinvestment. But keep in mind, not all companies pay dividends to shareholders.

## How to Pick a Stock

There is both science and luck involved in picking stocks. There are many ways to assess the value of a company's stock and there are many professionals who do this for a living everyday.

Some things you can look at when evaluating a stock:

**The Company:** Do you like the product or service? Do you use it personally? Sometimes your favorite games, toys, stores, or restaurants are good investments. Checking out a Company's Annual Report can be helpful in learning more. Every public company (one that sells stock to the public) has an annual report that provides information on the company's business, it's performance, and it's financial condition. You can call the company to get a copy or look on-line.

**Fundamental Analysis v. Technical Analysis:** In fundamental analysis, you study a company's financial condition, management, and competitive position in its industry. You can look in the annual report, get copies of public documents on-line, and do research on the industry at a library or over the internet. You can also get research reports from equity analysts to provide more insight into a company. In technical analysis, you chart past performance and trends of the company, the industry, and the market. However, this does not always account for big changes that may occur in a company in the future.

**Price/Earnings Ratio (P/E):** The Price/Earnings ratio is one of many measurements which tracks the price of a stock. It represents the **price per share divided by the earnings per share** of a company. It is best to **buy** a stock when the **P/E is low** because this is often a sign that there is still room for this stock to grow. It is best to **sell** when the **P/E is high**. If a P/E is 10, this means that investors will pay 10 times earnings for the stock. A P/E ratio of 12 is generally considered average. The P/E can also vary depending on an industry. For example, since internet companies tend not to have a lot of earnings, or profit, especially in

their earlier years, investors bet on the future of the company. Thus, these technology stocks can trade at a very high P/E multiple.

To learn more about how to pick stocks, there are many books written on the stock market at <http://www3.kidstock.com/en/books.asp>.

**Blue Chip:** A Blue Chip refers to a stock of one of the **largest, most consistently profitable companies**. The list of official "Blue Chip" stocks changes over time. Some examples of Blue Chip Companies are AT&T, Coca Cola, and IBM.

**Market Indexes:** A market index tracks the performance of stocks from different companies and are often used to measure how well the economy is doing. The **Dow Jones Industrial Average** is the best known market indicator. It represents **30 major industrial companies**. The **S&P 500** is a broad base of 500 stocks and is widely considered the benchmark for large-stock investors. The **Russell 2000** represents the **smallest two-thirds of the 3,000 largest U.S. companies**.

**Stock Split:** Sometimes, when the price of a stock gets high, a company will decide to do a stock-split. A stock-split is when the company takes the total number of shares outstanding and doubles the number, dividing each share by two. For example, if a company has 10,000 shares outstanding, and each share costs \$100, after a 2 for 1 stock split, a company will have 20,000 shares outstanding and each share will cost \$50. As a result, the total value of all shares remain the same. ( $10,000 \times \$100 = 20,000 \times \$50 = \$1,000,000$ ). Each shareholder then has double the number of shares but for half the price. The reason a Company does a stock split is to increase the number of people who can invest in the company by allowing investors to buy shares at a lower price. Stocks can split two for one, three for two, five for one, or any other combination.

**Different types of stock:** There are three types of stock. **Common stock**, which we described above is the most common form, **Preferred stock**, and **Convertible stock**. Preferred stock has a more stable nature. Preferred shareholders get paid out their dividends before Common Stock holders but the upside is limited so if the Company performs better than expected, the preferred shareholders won't benefit from extra money paid out, while Common stockholders will. Plus, the preferred stock increases in value more slowly. Convertible stock is a more complicated "instrument" or type of investment, which starts out as debt and based on a set agreement between the company and the stockholder, can become equity (or stock) if the stock price reaches a predetermined price.

**Risks/Rewards:** Stocks can be great investments. Historically, the stock market has provided the largest return. You can choose when to buy and when to sell. Plus, you can follow the progress of your stock daily in the newspaper or on the internet. However, there is a higher risk with the stock market. In buying stocks, you risk two main factors; the performance of the company and the performance of the market. Sometimes, regardless of a company's performance, investors will shy away from stocks. This could be because of economic conditions, fears that the stock market is overvalued, etc.

## Direct Stock Investing

Direct Stock Plans ("DSPs") are another way to invest in the stock of a Company at <http://www.netstockdirect.com>. Through a DSP, you buy stock directly from the Company rather than through a broker. The benefits of DSP's are:

1. You can invest a small amount at a time. Purchases are in dollar amounts, not shares.



2. Many of the plans have no fees, and those that do are lower than other ways of buying stock.
3. You can get into a Dividend Reinvestment Program which allows all dividends earned to go back into buying more stock automatically.

## Bonds

A bond, also called a fixed-income security, is a way for the issuer (the government or a company), to borrow money from a person, and return it with interest after a fixed period of time. It is in essence, a piece of paper that serves as an "I owe you" to its holder. The longer you lend your money for, the higher the interest rate, also known as the **coupon rate**, will be. The day you get your money back is called the **maturity date**. **The yield is the interest paid on the bond divided by the price paid for the bond**. The face value, or par value, is the original value of the money you invest (ie. the price of the bond). Bonds can be bought for as little as \$25. A bond with a par value of less than \$1000 is called a baby bond. The word debt, can also be used to describe an investment in a bond. The issuer is in debt to you, the holder of the bond.

Below we will give you a description of some of the different kinds of bonds:

**U.S. Savings Bond:** The government depends on borrowing money from individuals and institutions to operate. A U.S. Savings Bond is a safe and reliable investment. You can buy a savings bond for as low as \$25. The maturity, the date the bond expires, varies. If the bond has a life of 3-10 years, it is called a Treasury Note. If its life is 10 years or longer, it is called a bond. A 30 year Treasury bond is known as the long bond and sets a standard for interest rates. A U.S. Savings bond has little risk, but also has a lower interest rate than other kinds of bonds. You can buy a Savings bond through your bank, from a broker, or directly from the U.S. Government at <http://www.publicdebt.treas.gov/sav/sav.htm>.

**Municipal Bond:** Issued by states, cities, and other local governments, a municipal bond is a way for a local government to raise money. One difference, however, is that the interest earned is tax-free. Municipal bonds are more risky than a U.S. Savings Bond, but often offer a higher interest rate. Unlike U.S. Bonds, a Municipal bond can be "called" early, which means you will be paid back before the date of maturity. This means that you will earn back less money than you originally expected. You can buy a municipal bond through a broker or the selling agency directly.

**Corporate Bond:** A Corporate Bond is an "IOU" from a Company, such as Nike or Disney, to the bond holder, as a way for the Company to borrow money. Owning a corporate bond is riskier than a government bond but usually returns a higher interest rate. Like municipal bonds, a corporate bond can be "called" or paid back early. Sometimes, though, a bond will have a call-protection which means that it cannot be paid back before the maturity date set at the time of purchase. You buy a corporate bond through a broker or directly from the company.

**Bond-ratings:** All municipal and corporate bonds are rated for safety. Two agencies provide ratings on the bonds-- **Moody's and Standard & Poor's**. Moody's uses Aaa as best and D as worst. Standard & Poor's uses AAA as best and C as worst. All bonds rated Baa (Moody's) or BBB (S&P) or above are considered "Investment Grade". Bonds with ratings of Caa/CCC or below are considered "Junk Bonds" or "High-Yield Bonds" because they belong to riskier companies or municipalities but they also offer higher interest rates.

**In general, bonds provide a safer way than stocks to invest your money.** However, the maximum amount of money you can earn is set at the start, whereas stocks have no limit to the amount of money you can make.

## Mutual Funds

A Mutual Fund is a way to invest your money through a **collection of stocks or bonds**, chosen by an investment professional, called a manager. The mutual fund manager uses a large pool of money from many people to pick companies that they believe will enable the fund to achieve its goal. To invest in a mutual fund, you buy units. There are over 4,000 mutual funds to choose from. Each fund has its own "portfolio" of investments, its own manager, and its own specific goals (i.e. value v. growth). Ask for the prospectus to learn about a mutual fund.

**Risks/ Rewards:** A mutual fund is good because it gives you a way to "diversify" your investment so that your money is invested in a variety of companies. It can be a process to decide which fund to join because there are so many. You must also trust the manager of the fund to invest your money for you.

You can invest in a mutual fund by calling up any of the mutual fund companies. Certain funds called no-load funds, however, require no fee. Most no-load funds are "index-funds" which means they own a certain group of stocks which mirror one of the market index groups of stocks, such as the S&P 500. Many on-line trading companies also sell mutual funds.

## Other Ways to Invest

Other ways people invest their money are listed below:

**Real Estate:** Real estate is property such as a house, a building, a mall or even land. The value of property can rise and fall. Many people buy property because they think the value will increase over time and they can later sell the property for a profit.

**Commodities:** Commodity is a general word for something that can be bought and sold and has intrinsic value. Some examples of commodities are gold, silver, other metals, meat, soybeans, and foreign currency. Investing in commodities is high risk because the value of these products can rise and fall dramatically.

**Collectibles:** A collectible is anything that you can buy and resell at a profit. Some examples are art, coins, baseball cards, and stamps. In order to realize value from your collectibles, it is necessary to be able to carefully track the item's origin and price paid, and to keep it in excellent condition.

**Socially Responsible Investments:** There are ways to invest your money that also help other people or causes. There are companies that make special efforts to sell safe products, help the environment, or give a percentage of earnings to charities. There are also special funds that invest money to help socially responsible causes. The Social Investment Forum can give you a list of these funds. (612) 333-8338.



# Types of Accounts

## Custodial Account

By law, children can not own securities (stocks, bonds, mutual funds) directly. A common solution is to set up a custodial account. Depending on the state in which you reside, the account will be set up as Uniform Gift to Minors Act account (UGMA) or a Uniform Transfers to Minors Act Account (UTMA). A custodian can be any adult who will have fiduciary responsibility for the child up to either age 18 or 21, depending on the state. All money in the account must be used to benefit the minor. After 18 or 21 (depending on the state), the child controls the money. These accounts are easy to open and have low fees. You can set up a custodial account through a broker, enrollment process in a direct stock plan, or directly through a mutual fund company.

**Tax issues for giving:** Any person can transfer up to \$10,000 as a gift into a custodial account without having to pay taxes on this money.

**Kiddie Tax:** The Kiddie Tax is an income tax for children under 14 years old. No tax is required on unearned income (from investments) below \$600. Up to \$1,200, the tax rate is 15%. Above \$1,200, the tax rate is the same as the parents' highest marginal tax rate. Earned income (from working) is taxed at 15%. For Kids 14 years or older, all income (earned and unearned) is taxed at 15%.

## Trusts

A trust is another way to set up an account for children. A trust can put more restrictions on the use of money for a child, even after the age of 18. Trusts can be used with large sums of money or to ensure that money gifts are used for a specific purpose, such as education. You should seek the advice of a lawyer for more information on trusts.

## Examples of Interest Earned

### Example 1: Compounded Quarterly

Save this each week	At % interest	In 10 years you'll have
\$7.00	5%	\$4,720
\$14.00	5%	\$9,440
\$21.00	5%	\$14,160
\$28.00	5%	\$18,880
\$35.00	5%	\$23,600

**Example 2:** If you invest \$1,000 each year - Compounded Annually

<b>Interest Rate</b>	<b>5 yrs.</b>	<b>10 yrs.</b>	<b>15 yrs.</b>	<b>20 yrs.</b>
<b>5%</b>	\$5,525	\$12,578	\$21,578	\$33,065
<b>6%</b>	\$5,637	\$13,181	\$23,276	\$36,786
<b>7%</b>	\$5,751	\$13,816	\$25,129	\$40,995
<b>8%</b>	\$5,867	\$14,487	\$27,152	\$45,762
<b>9%</b>	\$5,985	\$15,193	\$29,361	\$51,160
<b>10%</b>	\$6,105	\$15,937	\$31,772	\$57,257
<b>11%</b>	\$6,228	\$16,722	\$34,405	\$64,203
<b>12%</b>	\$6,353	\$17,548	\$37,279	\$75,052

See list of Savings Calculators at  
[http://www.dfi.state.in.us/conscredit/MiniLessons/savings\\_calculators.htm](http://www.dfi.state.in.us/conscredit/MiniLessons/savings_calculators.htm) .

# **DISCUSSION QUESTIONS AND TOPICS**

1. Why should children learn money management skills?
2. How can parents help their children develop money management skills?
3. What information should be discussed when creating a spending plan for children?
4. Can a savings plan teach children to be effective and responsible investors? Explain.
5. How can parents help their children create a savings and investment plan that is realistic and fair?

# ACTIVITY

1. Have students decide how much they can save on a regular basis.
2. Have students decide which type of investment they think they would like to make.
3. Have them figure the amount of money they would have saved in a year and determine how many years it will take to double that amount based on the rate of interest they believe they can earn.
4. Have students pick a stock they think would be a good one to invest in and keep track of the cost per stock in the stock market. After a period of time, see which stocks made the most earnings.
5. Have students take the Savings and Investment Quiz.

# SAVINGS AND INVESTMENT QUIZ

1. A certificate of deposit must be held for a set amount of time such as six months or a year.  
☐ True  
☐ False
2. Compound interest refers to money earned from buying a tax-exempt investment.  
☐ True  
☐ False
3. A share of stock represents ownership in a company.  
☐ True  
☐ False
4. A mutual fund is an investment issued by a state or local government agency.  
☐ True  
☐ False
5. Compound interest makes money grow faster.  
☐ True  
☐ False
6. Compound interest refers to money earned from buying a tax-exempt investment.  
☐ True  
☐ False
7. A certificate of deposit must be held for a set amount of time such as six months or a year.  
☐ True  
☐ False
8. A share of stock represents ownership in a company.  
☐ True  
☐ False
9. Treasury bonds are a safer investment than real estate.  
☐ True  
☐ False
10. The lowest interest rate is usually earned on a:  
☐ money-market account.  
☐ certificate of deposit.  
☐ passbook account.  
☐ mutual fund.

11. The total interest earned on \$100 for two years at 10 percent (compounded annually) would be:

- ☐ \$2
- ☐ \$21
- ☐ \$11
- ☐ \$10

12. Based on the rule of 72, money earning 6 percent would take about (fill in the blank) years to double.

- ☐ 6
- ☐ 8
- ☐ 9
- ☐ 12

13. Which of the following increases the value of my money in stocks?

- ☐ Increase in price per share
- ☐ Dividends
- ☐ Stock splits
- ☐ All of the above

14. Owning shares of stock:

- ☐ can increase the value of my money
- ☐ can decrease the value of my money
- ☐ provide income from dividends
- ☐ All of the above

15. An example of a company's debt is a:

- ☐ corporate bond.
- ☐ share of stock.
- ☐ mutual fund.
- ☐ municipal bond.

16. The investment with the most risk would be:

- ☐ a savings account.
- ☐ U.S. Treasury bonds.
- ☐ corporate stocks.
- ☐ corporate bonds.



# SAVINGS AND INVESTMENT QUIZ

1. A certificate of deposit must be held for a set amount of time such as six months or a year.

☐ True

2. Compound interest refers to money earned from buying a tax-exempt investment.

☐ False

3. A share of stock represents ownership in a company.

☐ True

4. A mutual fund is an investment issued by a state or local government agency.

☐ False

5. Compound interest makes money grow faster.

☐ True

6. Compound interest refers to money earned from buying a tax-exempt investment.

☐ False

7. A certificate of deposit must be held for a set amount of time such as six months or a year.

☐ True

8. A share of stock represents ownership in a company.

☐ True

9. Treasury bonds are a safer investment than real estate.

☐ True

10. The lowest interest rate is usually earned on a:

☐ passbook account.

11. The total interest earned on \$100 for two years at 10 percent (compounded annually)  
would be:

☐ \$21

12. Based on the rule of 72, money earning 6 percent would take about (fill in the blank)  
years to double.

☐ 12

13. Which of the following increases the value of my money in stocks?

☐ All of the above

14. Owning shares of stock:

☐ All of the above

15. An example of a company's debt is a:

☐ corporate bond.

16. The investment with the most risk would be:

☐ corporate stocks.

## OTHER RELATED QUIZZES

Have your class take the Allowance and Spending Plan Quiz (Print Quiz in Adobe at <http://www.dfi.state.in.us/conscredit/pdfs/allowance%20quiz.pdf> ).

Print the Answers to the Allowance and Spending Plan Quiz in Adobe at [http://www.dfi.state.in.us/conscredit/pdfs/answers\\_allowance.pdf](http://www.dfi.state.in.us/conscredit/pdfs/answers_allowance.pdf).

Have your class take the Money Responsibility Quiz. (Print Quiz in Adobe) at <http://www.dfi.state.in.us/conscredit/pdfs/money%20resp%20quiz.pdf>.

Print the Answers to the Money Responsibility Quiz in Adobe at <http://www.dfi.state.in.us/conscredit/pdfs/answers%20money%20res%20quiz.pdf>.

Have your class take the Budget Quiz. (Print Quiz in Adobe) at <http://www.dfi.state.in.us/conscredit/pdfs/budget%20quiz.pdf>.

Print the Answers to the Budget Quiz in Adobe at [http://www.dfi.state.in.us/conscredit/pdfs/answer\\_budget\\_quiz.pdf](http://www.dfi.state.in.us/conscredit/pdfs/answer_budget_quiz.pdf).

## SOURCES OF ADDITIONAL INFORMATION

### Articles

*Accounts That Give Piggy Banks a Run For The Money*, by Debra Nussbaum. The New York Times, p. F7, (June 30, 1996).

*Students Tackle a Subject With Interest; learning the fundamentals of investing can be a profitable lesson*, by Martha M. Hamilton. The Washington Post, p.WH9, (March 4, 1997).

### Books/Pamphlets

Books written on the stock market at <http://www3.kidstock.com/en/books.asp>.

*Kiplinger's Money Smart Kids (and parents, too!)*, Bodnar, Janet, National Book Network. Telephone: (800)253-6476. \$12.95.

*You and Money, Investment Kit for Fourth to Sixth Graders* Available free from: Fidelity Investments, (800) 544-6666

### Web Sites

See our Web Site on Teaching Basic Economics at [http://www.dfi.state.in.us/conscredit/teaching\\_basic\\_economics.htm](http://www.dfi.state.in.us/conscredit/teaching_basic_economics.htm) to help Parents teach their children basic economics.

See our Web Site on Financial Security Planning at [http://www.dfi.state.in.us/conscredit/financial\\_security\\_planning.htm](http://www.dfi.state.in.us/conscredit/financial_security_planning.htm) .

## **Additional teaching information:**

### **The Copernicus Education Gateway Teachers Guide -**

#### **The Art of Budgeting at**

[http://www.visa.edgate.com/visa/english/teachers/lev\\_3/lesson\\_03/index\\_teacher\\_03.html](http://www.visa.edgate.com/visa/english/teachers/lev_3/lesson_03/index_teacher_03.html),

#### **Money Responsibility at**

[http://www.visa.edgate.com/visa/english/teachers/lev\\_2/lesson\\_02/index\\_teacher\\_02 le v2.html](http://www.visa.edgate.com/visa/english/teachers/lev_2/lesson_02/index_teacher_02_le v2.html),

#### **Saving and Investing at**

[http://www.visa.edgate.com/visa/english/teachers/lev\\_2/lesson\\_03/index\\_teacher\\_03 le v2.html](http://www.visa.edgate.com/visa/english/teachers/lev_2/lesson_03/index_teacher_03 le v2.html),

#### **Banking services at**

[http://www.visa.edgate.com/visa/english/teachers/lev\\_3/lesson\\_06/index\\_teacher\\_06.html](http://www.visa.edgate.com/visa/english/teachers/lev_3/lesson_06/index_teacher_06.html), and

#### **Allowance and Spending Plan at**

[http://www.visa.edgate.com/visa/english/teachers/lev\\_2/lesson\\_01/index\\_teacher\\_01 le v2.html](http://www.visa.edgate.com/visa/english/teachers/lev_2/lesson_01/index_teacher_01 le v2.html) .

**CCCs for Kids** at <http://www.cccsintl.org>. Word games to teach children about the benefits of saving their money.

**Saving** at <http://www.moneyopolis.org>.

**Investing for Kids** at <http://library.thinkquest.org/3096/index.htm>

**Young Investors Network** at <http://www.smithbarney.com/yin>.

**KidStock** at <http://www.kidstock.com>.

### **ECONnections (Adobe):**

**Why We Save** (Grades K-2) at <http://ecedweb.unomaha.edu/lessons/saveK-2.pdf>

**My Money** (Grades 4, 5, & 6) at <http://ecedweb.unomaha.edu/ve/library/MYMO.PDF>

**Life of a Dollar Bill** (Grades 4-8) at <http://ecedweb.unomaha.edu/ve/library/LODB.PDF>

**Road to Roota** (Grades 2-7) at <http://ecedweb.unomaha.edu/ve/library/ROOT.PDF>

**M & M Interesting** (Grades 6-8) at <http://ecedweb.unomaha.edu/lessons/M&M6-8.pdf>

**Once Upon a Dime** (Grades 6-9) at <http://ecedweb.unomaha.edu/ve/library/DIME.PDF>

**Banking Basics** (Grades 7-12) at <http://ecedweb.unomaha.edu/ve/library/BASC.PDF>